

Engineer's Report
FOR THE
RENEWAL
OF THE
WESTCHESTER TOWN CENTER
PROPERTY BUSINESS IMPROVEMENT
DISTRICT

*Prepared February 2011 pursuant to the State of California
Property and Business Improvement District Law of 1994
to adopt a Management District in the Westchester Town Center area, a community
within the
City of Los Angeles*

*By the
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ENGINEER'S REPORT

Introduction

This report shall serve as the “detailed engineer’s report” required by Section 4(b) of Article XIID of the California Constitution (Proposition 218) to support the benefit assessments proposed to be levied annually beginning in January 2012 and through and including December 2021 within the Westchester Town Center Property Business Improvement District (the “District”). The assessments levied in connection with the District will be levied against parcels of real property, not businesses. Assessments will be collected on the tax roll so, for example, the assessment to fund calendar year 2012 operations will be collected on the 2011-12 tax roll.

Background

The District is a property-based assessment district established pursuant to the Property and Business Improvement District Law of 1994 (Streets & Highways Code Section 36600 *et seq.*; hereinafter “State Law”). The State Law authorizes an assessment to fund various services, activities, improvements, and programs (referred to herein collectively as “Services”), provided in connection with a Business Improvement District. The costs of these Services are distributed among all parcels benefiting from the Services based on the proportional benefit each receives from the improvements provided. Only those properties expected to benefit from funded Services may be assessed.

This Engineer’s Report was prepared in support of the Management District Plan for the District. Reference is made to the Management District Plan (which is incorporated herein by reference) for a more complete description of the improvements to be funded with the proposed assessment.

Proposition 218 Requirements

Article XIID of the California Constitution, approved by the voters in 1996 as Proposition 218, requires that assessment methodologies meet certain requirements. Key provisions of Proposition 218 together with a description of how the District complies with each are described below.

Finding 1: “Identify all parcels which have a special benefit conferred upon them and upon which an assessment will be imposed” (From Section 4(a)).

There are 128 identified parcels within the District that will specially benefit from its proposed Services. These parcels are shown on the boundary map of the District contained within the Management District Plan, and listed in an attachment to the Management District Plan and this Engineer’s Report. This list identifies these parcels by Assessor’s Parcel Number, property owner name, and site address.

Parcels were identified for inclusion based upon their location. The purpose of the proposed District is to provide Services to parcels in the Westchester Town Center commercial area, located along Sepulveda Boulevard between just South of 92nd Street and just North of Manchester Avenue. Like many commercial areas in Los Angeles, the Westchester Town Center is a narrow strip, which is approximately one to two blocks deep on each side of Sepulveda Boulevard and substantially surrounded by residential neighborhoods. Consequently, as a general rule, all commercial parcels located within two blocks of Sepulveda Boulevard (along with airport parcels facing the commercial district) were included in the District, while the surrounding residential neighborhoods were not. Parcels zoned solely for residential use are excluded from the District or not assessed because, pursuant to Section 36632(c) of the Law, they are deemed not to benefit from District activities.

In order to ensure that parcels outside of the District will not specially benefit from the Services funded with the assessment, Services will only be provided within the boundaries of the District. Specifically, ambassador patrols, landscaping staff, maintenance / sanitation personnel, and similar service providers employed in connection with the District will only patrol and provide services on the streets and sidewalks within the District and will not provide services outside of District boundaries. Similarly, the District will not fund new landscaping, street furniture or streetscape improvements outside of the boundaries of the District, nor will District promotional efforts promote activities outside of District boundaries. All District programs are intended to promote commercial vitality, and to attract and retain new business within the District.

Parcels outside of the District that are in residential use will not specially benefit from District Services because the Services will not be provided on the street or sidewalk fronting such parcels. Therefore, these residential parcels will be physically remote from the Services — patrols will not go in front of such parcels and maintenance / sanitation crews will not clean in front of such parcels. Furthermore, homes, apartments and other structures solely used as residences, and outside of the commercial area encompassed by the District, will not specially benefit from the marketing and policy-making services that will be geared towards the commercial use parcels within the District. These services will be marketing the office, retail, and multifamily residential opportunities in the District, not the residential opportunities outside of it. Additionally, the State Law conclusively presumes that parcels zoned solely for residential use receive no special benefit from programs and services funded under it.

Parcels outside of the District that are in commercial, community service, or parkway landscape use will not specially benefit from District Services because Services will not be provided on the street or sidewalk fronting such parcels. Therefore, these commercial, community service, or parkway landscape parcels will be physically remote from the services — patrols will not go in front of such parcels and maintenance / sanitation crews will not clean in front of such parcels. These commercial, community service, or parkway landscape parcels are best understood as parts of other commercial or residential Districts that surround the Westchester Town Center, not as part of this District.

Parcels outside of the District that are airport-related will not specially benefit from District Services because Services will not be provided on the street or sidewalk fronting such parcels. Therefore, these commercial and community service parcels will be physically remote from the services — patrols will not go in front of such parcels and maintenance / sanitation crews will not clean in front of such parcels. These airport-related parcels, principally fenced parking, industrial, and landscaping parcels, are best understood as part of the Los Angeles International Airport complex that extends far to the South of the District, and not as part of the District itself. The airport is a regional facility, with services that are geared towards the inter-regional movement of persons and cargo. The airport conducts extensive outreach and marketing independently of the Westchester Town Center. Moreover, District marketing and policy making services will provide no special benefits to these parcels because they will: (i) be geared towards the commercial use parcels within the District, (ii) attempt to create an identity for that District, and (iii) not directly promote the airport.

The following narrative explains how specific boundary locations were determined.

Northern Boundary

- The Northern boundary of the District to the East of Sepulveda Boulevard beginning at the NEC of Sepulveda Boulevard and Manchester Avenue extends east along Manchester Avenue to the SWC of La Tijera Boulevard. It includes the medical office building and the commercial zoned parcels fronting on the South side of Manchester Avenue. This boundary was selected to include the commercially zoned properties located within the Sepulveda Boulevard commercial corridor that function as a pedestrian oriented shopping district, and to exclude all residential parcels to the North. Parcel 4107-035-017, which is included in the District, is a multi-story medical office building. A small ancillary residentially zoned parcel 4107-035-018 is included within the District and not assessed. A service station is located on 2 parcels on the NWC of Manchester Avenue and La Tijera (i.e. outside the District) but is not apart of the pedestrian oriented shopping district and is best understood as an arterial oriented use. An R2 zoned church use is located on the NEC of Manchester Avenue and La Tijera Boulevard that is not apart of the pedestrian oriented shopping district and is best understood as apart of the surrounding residential community. All other parcels located North of the District boundary (i.e. outside of the District) are developed with single-family residences, and zoned solely residential, which will not specially benefit from District activities and services. All parcels located within the District will specially benefit from its activities and services. No services will be provided outside of the District's boundaries.
- The Northern boundary of the District to the West of Sepulveda Boulevard beginning at the NWC of Sepulveda Boulevard and Manchester Avenue extends east along Manchester Avenue to the SEC of Sepulveda Westway. It includes the commercially zoned restaurant and auto service use parcels 4108-019-028 and -029 and the commercial zoned parcels fronting on the South side of Manchester Avenue. This boundary was selected to include the commercially zoned properties

located within the Sepulveda Boulevard commercial corridor that function as a pedestrian oriented shopping district, and to exclude all residential parcels to the North. Parcels to the North and West of the District boundary (i.e. outside the District) are zoned solely residential or are developed as multi-family residential or parkway landscaping uses. These parcels are best understood as being part of a separate residential neighborhood to the North or West of the District. They will not specially benefit from District activities or services and are therefore not included in the District. All parcels located within the District will specially benefit from its activities and services. No services will be provided outside of the District's boundaries.

Eastern Boundary.

- The Eastern boundary of the District continues at the SWC of Manchester Avenue and La Tijera Boulevard and extends Southwest along La Tijera Boulevard to its intersection with Sepulveda Eastway. It includes all corners of this intersection including: the commercially zoned parcels to the Northwest and West of La Tijera Boulevard; and the R-4 zoned parcel 4123-006-025 to the Southeast of the intersection of La Tijera Boulevard and Sepulveda Eastway. This boundary was selected to include the commercially zoned parcels that function as a pedestrian oriented shopping district, and to exclude residential parcels to the East and Southeast. The parcels located East of the intersection of Manchester Avenue and La Tijera Boulevard (i.e. outside the District) are commercially zoned but not apart of the pedestrian oriented district and are best understood as arterial oriented uses. The parcels located Southeast of the intersection at Manchester Avenue and La Tijera Boulevard are single-family residential homes, zoned solely residential, which will receive no special benefit from District operations. All parcels located within the District will specially benefit from its activities and services. No services will be provided outside of the District's boundaries.
- The Eastern boundary of the District continuing at the intersection of La Tijera Boulevard and Sepulveda Eastway extends South along Sepulveda Eastway to the NEC of its intersection with Sepulveda Boulevard. This boundary was selected to include the commercially zoned parcels to the West that function as a pedestrian oriented shopping district. It also includes the R4 zoned multifamily apartment use 4123-006-012 and recreational use 4123-006-026, manufacturing zoned office use 4124-002-001, and fenced airport related parking lot 4124-002-916. The boundary was selected to exclude residential parcels to the East and non-contiguous airport use parcels to the East and Southeast. Single-family residential homes located to the East are zoned solely residential, which will receive no special benefit from District operations. All parcels located within the District will specially benefit from its activities and services. No services will be provided outside of the District's boundaries.

Southern Boundary.

- The Southern boundary of the District continues from the NEC of the intersection of Sepulveda Eastway and Sepulveda Boulevard and extends West along the

South and West boundaries of parcel 4122-024-918, which is a developed park site that attracts visitors to the District and is therefore included within the District, to Sepulveda Westway at its intersection with 92nd Street. This boundary was selected to include the commercially zoned parcels to the North that function as a pedestrian oriented shopping district. All parcels located within the District will specially benefit from its activities and services. No services will be provided outside of the District's boundaries.

Western Boundary

- The Western boundary of the District continues from the intersection of Sepulveda Westway and 92nd Street and extends North along Sepulveda Westway to Westchester Parkway then West along Westchester Parkway to La Tijera Boulevard, then Northeast along La Tijera Boulevard to Sepulveda Westway, including parcel 4122-022-928, then North along Sepulveda Westway to the SWC of Sepulveda Westway and Manchester Avenue at which point it intersects the Northern boundary. The Western boundary of the District along Sepulveda Westway, Westchester Parkway, and La Tijera Boulevard was selected to include all commercially zoned properties that function as a pedestrian oriented shopping district, and to include the fenced airport-related parcel 4122-022-928 located further West. This airport-related parcel is master planned for development as a mixed use commercial business park and is contiguous with the Westchester Town Center commercial area. Parcels beyond the boundary are airport-related parcels but are not presently connected with the Westchester Town Center commercial area and therefore have not been included within the District boundary. The Western boundary of the District along Sepulveda Westway North of 88th Street was selected to include all commercially zoned properties located within one (1) block of the Sepulveda Boulevard commercial corridor, and exclude all residential properties in residential use. Parcels to the West of the District boundary are zoned solely for residential use and developed with single-family residences (APN 4122-002-002 through -003, -008, -014, -017 through -018, -020 through -022, -024 through -027; and APN 4122-003-015 through -016). All parcels located within the District will specially benefit from the activities and services of the District. No services will be provided beyond the District's boundaries.

Finding 2: "Separate the general benefits from the special benefits conferred on parcel(s). Only special benefits are assessable." (From Section 4(a)).

Proposition 218 defines "special benefit" to "mean a particular and distinct benefit over and above general benefits conferred on real property located in the District or to the public at large. General enhancement of property value does not constitute 'special benefit.'" The Services of the District are designed to provide targeted benefits to specific parcels. These services are tailored to confer special benefits on particular parcels, not the general public. For example, the proposed ambassador program is targeted to focus on services of interest to commercial property-owners and their tenants

(aiding pedestrians seeking directions to business locations, watching out for conditions endangering the security and safety of businesses and their customers). Similarly, the proposed maintenance program is focused on sidewalk cleaning, trash removal, graffiti removal, and cleaning at the properties that are assessed. Marketing and promotions efforts of the District are targeted to increase economic activity within the assessment area. No District services will be provided outside the District boundaries.

The proposed District Services provide, at most, *de minimus* general benefits (benefit to properties in the surrounding community, to the public, or to persons and property generally). The District funds services over and above those already provided by the City within the boundaries of the District. These services are provided only to the properties within the District, not to the public at large. General benefits, if any, to the surrounding community and the public in general are *de minimus*, intangible and unquantifiable.

The improvements and activities (ambassador, maintenance, cleaning, beautification, marketing, promotions, etc) to be provided by the District are designed to meet specific needs of the property owners to improve business within the District area and provide special benefits to the properties. Improving the business environment supports the goals and objectives established by the property owners in creating the District. The City of Los Angeles will continue to provide police protection, maintenance services, and social services within the District area to the extent that the City provides these services elsewhere throughout the community.

No parcels zoned for solely residential use have been assessed within the District.

Finding 3: “[Determine] the proportionate special benefit derived by each parcel in relationship to the entirety of the... cost of public improvement(s) or the maintenance and operation expenses...or the cost of the property related service being provided.” (From Section 4(a)).

Parcels in the District will benefit from the Services provided in connection with the District because these Services are designed to increase pedestrian and automobile traffic and building occupancies thereby increasing demand for and utilization of retail and commercial property within the District. The services are intended to transform the District into a safe, vibrant, extended-hour community.

Three factors (lot size, improvement size, and street frontage) were chosen to calculate the special benefit allocable to each parcel in the District.

Lot size is a measurement both of the potential for future development on a parcel to meet customer and tenant demand, and of the present capacity of the parcel’s street level areas to accommodate customers and tenants. Street level space benefits strongly from business improvement district services and improvements because such space is more readily used for retail space, lobby services, and surface parking facilities that are especially sensitive to increases in customer demand.

The size of the improvements on a parcel is a measurement of the capacity of that parcel to currently serve the demand of customers and of retail, commercial and residential tenants.

Frontage is a vital measure because it indicates the amount of the parcel that is directly accessible to and visible from the street. The more frontage a parcel has, the larger the area of sidewalk is in front of the parcel to be patrolled and cleaned in connection with District services. Parcels with larger frontages derive high levels of benefit from programs designed to increase pedestrian foot traffic (such as ambassador programs) because frontage is a measure of the capacity of a space to see and be seen from the street, which is especially important for retail and similar uses generally located at street level.

Because Sepulveda Boulevard is the pedestrian hub of the area (and will be a focus of ambassador, maintenance, and cleaning services), a parcel with frontage on this street derives a higher level of benefit than does an otherwise similar parcel fronting on another street in the District. Parcels fronting on Sepulveda are relatively closer to the Sepulveda focus-area and are more reliant on pedestrian access via Sepulveda. Therefore, they benefit more intensely from the services.

Combining these three factors gives a far better picture of the benefits than could be derived from just one or two of the factors. Because no one of these factors is more important than the others, and each factor is critical to the overall benefit calculation, each factor is weighted equally in quantifying the benefits any particular parcel would receive.

Three types of parcels require special analysis in order to avoid overstating the benefits they receive.

Parcels accessible from the District and used exclusively for *Long Term Airport Parking* will be assigned benefits based solely on parcel square footage and street frontage. This recognizes: (i) that long term airport parking is a uniquely low density use (i.e. very few customers are on-site at any one-time despite the very large size of the parking structure improvement); and, (ii) that long-term airport parking is a not ancillary to other land uses in the District (i.e. customers of a long-term airport parking business are typically shuttled directly between their cars and airport locations outside of the District).

Fenced Vacant Lots will be assigned benefits based solely on street frontage. For purposes of this paragraph, a “fenced vacant lot” is a parcel meeting both of the following criteria: (i) the parcel has no permanent improvement square footage and (ii) the parcel is fenced from public access from within the District. This recognizes that fenced vacant lots, which typically are entirely unused or used solely for storage purposes are: (i) a unique low density use; and, (ii) benefit from street frontage maintenance services, but not more generally from activities designed to attract visitors and customers to the District.

Multifamily Residential parcels will be assigned benefits on the same basis as other parcels with respect to street frontage and parcel square footage, but at one-half the normal amount for improvement square footage. This recognizes that while apartment buildings are a commercial venture designed to attract tenants, apartment improvements are less intensively used than other improvements and are not used by residential tenants to serve customers.

The Special Benefit & Assessment Analysis section of this Report discusses the exact formula used to calculate the benefits.

Finding 4: “No assessment ...shall exceed the reasonable cost of the proportional special benefit conferred on parcel(s).” (From Section 4(a)).

The total amount to be assessed will not exceed the estimated reasonable cost of the program. Because each parcel will be assessed in proportion to its share of the total benefit created by the program, no assessment will exceed the reasonable cost of the proportional special benefit conferred on the parcel.

Finding 5: “Parcels...that are owned or used by any (public) agency shall not be exempt from assessment.” (From Section 4(a)).

All parcels owned by public agencies will be assessed at the same rate as private parcels of the same size, location and use. This includes the parcels in the District that are owned by the City of Los Angeles. The methodology for these assessments is set forth in Finding 4.

The publicly-owned parcels in the District are listed below:

CITY of LOS ANGELES PARCELS

	APN #	Address	Owner	Total PBID Assessment
1	4122-022-928	N/A per Assessor Data	LA City	\$3,331.03
2	4122-024-918	N/A per Assessor Data	LA City	\$4,728.86
3	4124-002-916	N/A per Assessor Data	LA City	\$1,887.07
		City of Los Angeles (3.31% of total assessments)	Sub Total	\$9,946.96

Finding 6: “All assessments must be supported by a detailed engineer’s report prepared by a registered professional engineer certified by the State of California.” (From Section 4(b)).

This report is the “detailed engineer’s report” to support the assessments proposed to be levied within the Westchester Business Improvement District.

Special Benefit & Assessment Analysis

A six (6)-step process for determining Westchester Town Center assessments has been used as delineated below.

Step 1: Select “benefit units.”

Because the assessment against each parcel must reflect the special benefit that parcel derives from the District's programs and activities, the first step in designing an assessment methodology was to assign "benefit units" to different attributes of parcels. The assignment of benefit units reflects the relative levels of benefit discussed in "Finding 3", above. Thus, for example, because it has been determined that a linear foot of street frontage on Sepulveda Boulevard will derive twice as much street frontage benefit as a linear foot of frontage on any other street in the District.

There are three types of benefit units:

A. Lot Benefit Units:

Each parcel fronting on Sepulveda Boulevard was allocated one Lot Benefit Unit for each square foot of the parcel’s surface area. Each parcel fronting on any other street located in the District was allocated .5 Lot Benefit Unit for each square foot of the parcel’s surface area. No Lot Benefit Units are assigned for Fenced Vacant Lots.

B. Building Benefit Units:

Each parcel fronting on Sepulveda Boulevard was allocated one Building Benefit Unit for each square foot of improvements. Each parcel fronting on any other street located in the District was allocated .5 Building Benefit Units for each square foot of improvements. Multifamily Residential Parcels are assigned one-half of the Building Benefit Units that would otherwise be assigned. No Building Benefit Units are assigned for Long-Term Airport Parking Parcels or Fenced Vacant Lots.

C. Frontage Benefit Units:

Each parcel fronting on Sepulveda Boulevard was allocated one Frontage Benefit Unit for each linear foot of the parcel’s frontage on Sepulveda Boulevard. Each parcel

fronting on any other street located in the District was allocated .5 Frontage Benefit Units for each linear foot of the parcel's frontage on any other street located in the District.

Step 2: Calculate the benefit units for each property.

The number of each type of benefit unit allocated to each identified benefiting parcel within the Westchester Town Center was determined from data obtained from the County of Los Angeles and third party real estate data service providers. These data sources provide Assessor Parcel Numbers, ownership, address, parcel size, gross building size, street front footage, and other needed information. This data provides a basis for calculating property-based assessments. All relevant data being used in assessment calculations has been provided, or attempted to be provided, to each property owner in the District for their review. All known or reported discrepancies or errors have been corrected.

Step 3: Quantify total basic benefit units.

In aggregate, there are 1,655,416 Lot Benefit Units; 1,120,144 Building Benefit Units; 13,116 Frontage Benefit Units.

Step 4: Calculate "Basic Benefit Unit Cost" for special benefits.

The annualized cost of the services and improvements to be provided by the District during 2012 is \$306,606 per year (before inflation adjustments). \$100,201.98 of these costs will be allocated based on Lot Benefit Units; \$100,201.98 based on Building Benefit Units; and \$100,201.98 based on Frontage Benefit Units.

The cost per benefit unit is therefore as follows:

A. Lot Benefit Units:

$$\$100,201.98 / 1,655,416 = \$0.0605 \text{ per Lot Benefit Unit}$$

B. Building Benefit Units:

$$\$100,201.98 / 1,120,144 = \$0.0895 \text{ per Building Benefit Unit}$$

C. Frontage Benefit Units:

$$\$100,201.98 / 13,116 = \$7.6400 \text{ per Frontage Benefit Unit}$$

Step 5: Determine Assessment Formula.

Combining the calculations from Steps 1 and 4, the assessment formula is therefore:

District assessment formula (for most parcels)= (\$0.0605 X square feet of parcel size on Sepulveda Boulevard) + (\$0.0895 X square feet of improvements on Sepulveda Boulevard) + (\$7.6400 X linear feet of frontage on Sepulveda Boulevard) + (\$0.0303 X square feet of parcel size on any other street) + (\$0.0447 X square feet of improvements on any other street) + (\$3.8200 X linear feet of frontage on any other street).

District assessment formula (for Multifamily Residential Parcels)= (\$0.0605 X square feet of parcel size on Sepulveda Boulevard) + (\$0.0447 X square feet of improvements on Sepulveda Boulevard) + (\$7.6400 X linear feet of frontage on Sepulveda Boulevard) + (\$0.0303 X square feet of parcel size on any other street) + (\$0.0224 X square feet of improvements on any other street) + (\$3.8200 X linear feet of frontage on any other street).

District assessment formula (for Long Term Airport Parking Parcels)= (\$0.0605 X square feet of parcel size on Sepulveda Boulevard) + (\$7.6400 X linear feet of frontage on Sepulveda Boulevard) + (\$0.0303 X square feet of parcel size on any other street) + (\$3.8200 X linear feet of frontage on any other street).

District assessment formula (for Fenced Vacant Lots)= (\$7.6400 X linear feet of frontage on Sepulveda Boulevard) + (\$3.8200 X linear feet of frontage on any other street).

Step 6. Spread the Assessments

The resultant assessment spread calculations for each parcel within the District are shown in an attachment to the Management District Plan and were determined by applying the District assessment formula to each benefiting property. This list of all identified benefiting parcels in the District area delineates each parcel and benefit units for parcel area and linear street frontage along Sepulveda Boulevard and benefit units for parcel area, gross building area, and linear street frontage along Sepulveda Boulevard and other streets.

During the ten-year effectiveness of the District, it is likely that some parcels within the District will be developed with additional commercial improvements or will see the demolition of existing improvements. The assessment against such parcels shall be recalculated beginning with the assessment for the first year following the construction or demolition of improvements. The new assessment against such a parcel shall be calculated pursuant to the formula set forth in Step 5 on Page ER-10. Pursuant to Government Code Section 53750(h)(3), such recalculation does not constitute an “increase” of assessment that requires the conduct of a new Proposition 218 ballot proceeding. Such a proceeding will be required if the assessment formula is itself changed.

Assessment rates will be adjusted annually to reflect changes in the Consumer Price Index for Los Angeles-Orange-Riverside for All Urban Consumers, but this adjustment will not exceed three per cent (3%) per fiscal year.

Engineer's Certification

Review of this Management District Plan and preparation of the Engineers Report was completed by:

Robert Merrell, P. E.
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Registered Civil Engineer No. 28100

INSERT ASSESSMENT CHART